

Medicaid Assistance (Medicaid - Title XIX)



Purpose

Medical Assistance (Medicaid—Title XIX) provides medically necessary healthcare coverage for financially needy parents with children, children, people with disabilities, elderly people, and pregnant women. The goal is for members to live healthy, stable, and self-sufficient lives.

Who Is Helped

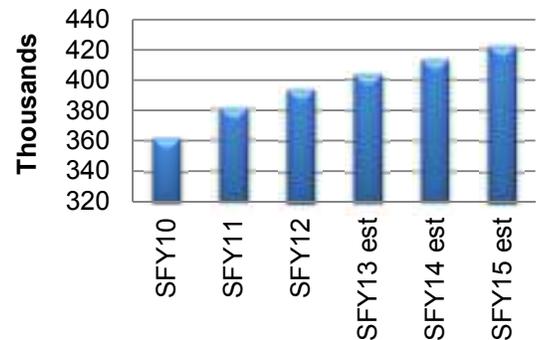
Medicaid is projected to serve more than 684,000 Iowans (unduplicated) or 22.4 percent of Iowa's population in SFY14 and over 712,000 (unduplicated) or 23.3 percent in SFY15. (This does not include projections for potential Medicaid expansion under the Affordable Care Act).

- Medicaid is Iowa's second largest healthcare payor, processing nearly 33 million claims in SFY12.

Traditional Medicaid eligibility is based on a combination of income and other criteria that must be met.

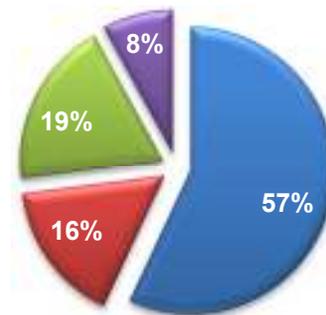
- Members must meet certain income criteria based on multiple eligibility standards and be a U.S. citizen or a legal qualified non-citizen (such as a refugee). Citizenship status is verified through the Social Security Administration and legal non-citizens must provide original documentation to verify their status.
- Generally, Medicaid covers low income members who are aged (over age 65), blind and disabled persons, pregnant women, children (under 21 years of age), or members of a family with children.
- Medicaid is not available to individuals considered to be inmates of public, non-medical institutions except for inpatient hospital care provided off-grounds of the jail/prison under certain circumstances. Persons who are on probation or are paroled are not considered inmates. Persons who are on work release are considered to be inmates.
- The most common Medicaid member is, on average, a 9-year-old child who is very healthy and uses very few health care services apart from well-child care, immunizations, and treatment for common childhood illnesses, such as ear infections. Medicaid covers thousands of such children for minimal cost.

Medicaid Enrollment



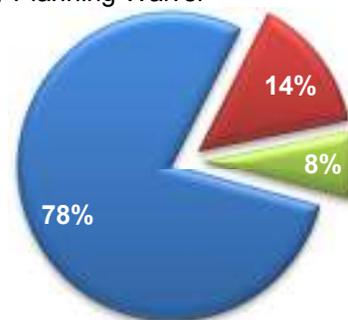
Total Medicaid Enrollment by Age SFY12

■ Child ■ Adult ■ Disabled ■ Aged

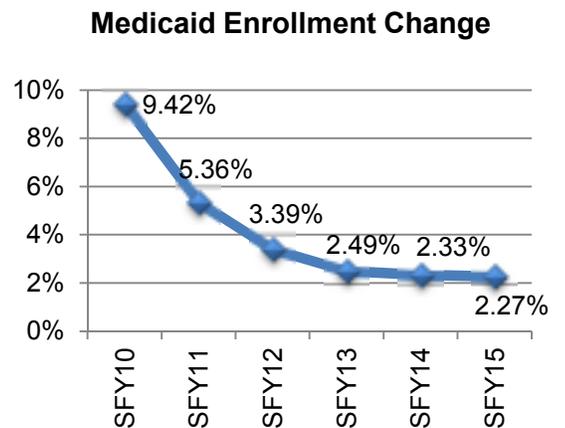
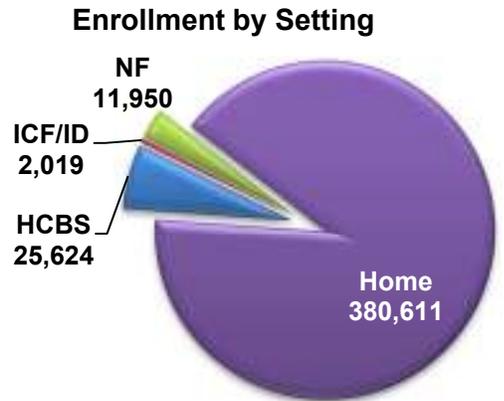


Medicaid Enrollment by Program SFY12

■ Regular Medicaid ■ IowaCare ■ Family Planning Waiver



- Additional populations served include:
 - Groups with income over 133 percent of the federal poverty level (FPL) through waiver programs such as IowaCare and the Family Planning Waiver. These programs provide very limited covered services.
 - Medicare populations, where Medicaid covers the cost of Medicare premiums, deductibles, and co-payments (Qualified Medicare Beneficiaries also known as dual eligibles).
- **Enrollment growth is slowing.** There were 420,204 members enrolled in regular Medicaid at the end of SFY12, a growth of 3.39 percent from SFY11. Growth has decreased from 5.36 percent in SFY11 and 9.42 percent in SFY10. Enrollment growth is projected to continue to decrease in SFY13 - SFY15.
- Of those newly enrolled, the largest growth in recent years is children, but this growth is now steadily declining. In SFY10 growth was 12.8 percent, in SFY11 growth fell to 6.47 percent, and in SFY12 growth was 3.72 percent. Growth for SFY13 – SFY15 is projected to further decrease to 3.27 percent in SFY13, 2.42 percent in SFY14, and 2.26 percent in SFY15.
- Medicaid plays a key role in the state's child welfare system by funding healthcare for children in state care. Medicaid also provides coverage to children in subsidized adoptive homes, thereby making permanent placement more accessible for children who cannot return to their birth families.



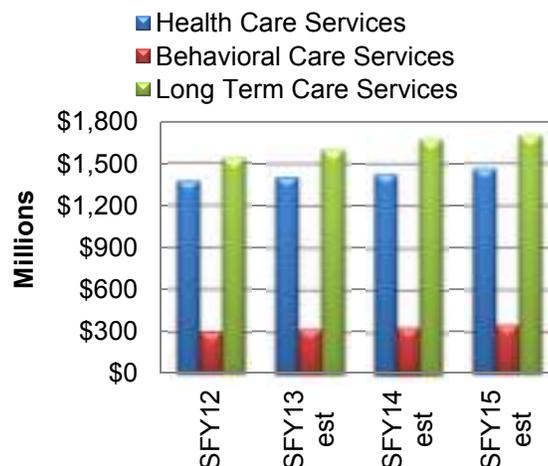
- ✓ *Since SFY10, children have accounted for 70 percent of Medicaid growth.*
- ✓ *Medicaid serves adults with serious and persistent mental illness (such as schizophrenia or bipolar disorder) and children with Serious Emotional Disturbance. Studies show that adults with serious mental illness live 25 years less than adults without this condition.*
- ✓ *Medicaid serves elderly persons who are low-income and very frail. The typical long term care member for older lowans (65 and older) is a 72 year-old female who needs assistance with at least one activity of daily living, such as personal care.*
- ✓ *Medicaid serves individuals with both physical and/or intellectual disabilities. The typical member with a disability accessing long term care services is a 28-year-old male with an intellectual disability and needs supports with life skills.*

Services

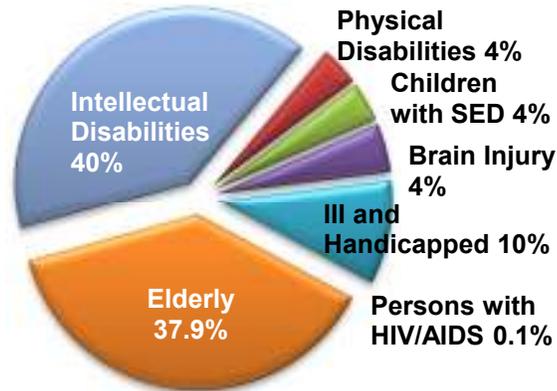
Medicaid covers a comprehensive range of healthcare services for lowans who meet the program's eligibility criteria.

- **Healthcare Services** include physician care, hospital services, labs, prescription drugs, home health care, rural health care services, Federally Qualified Health Center (FQHC) services, chiropractic care, physical therapy, and dental care.
- **Behavioral Care Services** include community mental health services, hospital services, physician care, psychiatric medical institution care, outpatient treatment and therapy, rehabilitative mental health services (known as Behavioral Health Intervention Services), as well as non-traditional services such as peer support and Assertive Community Treatment, and substance abuse treatment. The majority of Medicaid behavioral care services are delivered through the **Iowa Plan**, which is a federally approved waiver allowing services to be delivered through a managed care organization (currently Magellan).
- **Long Term Care Services** include nursing home care, Intermediate Care Facilities for the Intellectually Disabled (ICF/ID), and home and community based support that allows individuals to remain at home.
- **Home and Community Based Supports** allows members to remain at home at a lower cost than being served in a facility. Long-term care services provided at home include services such as home health, assistance with personal care, homemaking, and respite care that allows individuals to avoid or delay institutional care.
- HCBS Services are delivered through seven 1915(c) waivers that are targeted to specific populations including persons who:
 - Are Elderly.
 - Have Intellectual Disabilities.
 - Have a Disability (two waivers)
 - Physical
 - Other Disabilities
 - Are Children with Serious Emotional Disturbance.
 - Are Living with HIV/AIDS.
 - Have a Brain Injury.

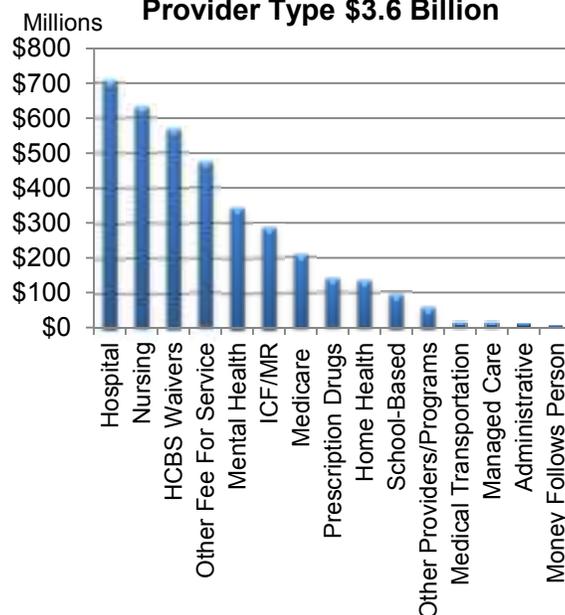
Medicaid Spending by Category



HCBC Waivers Enrollment SFY12



SFY14 Medicaid Expenditures by Provider Type \$3.6 Billion



- ✓ *The average cost of a member in a nursing facility is \$45,677 per year, versus \$9,909 for a person served through an HCBS waiver.*
- ✓ *The average cost of a member in an Intermediate Care Facility for the Intellectually Disabled is \$141,164, versus an average cost of \$34,615 for a person served through the ID HCBS waiver.*
- ✓ *Medicaid generates 10 percent to 20 percent of most hospitals' revenues. Medicaid provides about 50 percent of nursing facilities' revenue. In the area of services for the disabled, Medicaid is often the primary or only revenue source.*

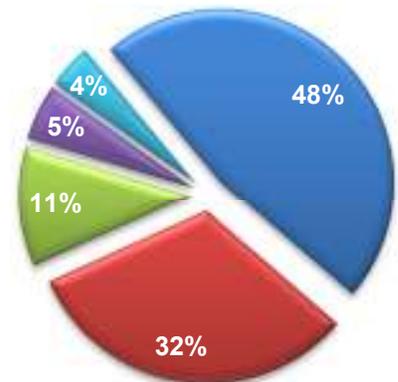
Goals & Strategies

The Iowa Medicaid Enterprise (IME) is not simply a payor for healthcare services. IME actively manages the program to achieve high quality and cost effective healthcare. IME continually produces a high return on investment saving millions of dollars through program integrity initiatives while maintaining a four percent administrative cost ratio.

- **Improve Iowan's health status**
 - Provide access to healthcare services.
 - Promote patient centered care via Health Homes.
- **Promote behavioral health status**
 - Provide access to mental health services.
 - Develop an array of critical mental health services.
- **Promote choice for seniors and persons with disabilities**
 - Promote access to home and community based options for seniors and persons with disabilities.
- **Effectively manage Medicaid**
 - Implement cost containment strategies.
 - Expand program integrity.
 - Medicaid has achieved savings through the Health Insurance Premium Payment Program (HIPP) where Medicaid pays premiums for private insurance if determined cost effective.

**2011 Member Survey
"Ease to See Provider"**

- Strongly Agree
- Somewhat Agree
- Neither
- Somewhat Disagree
- Strongly Disagree



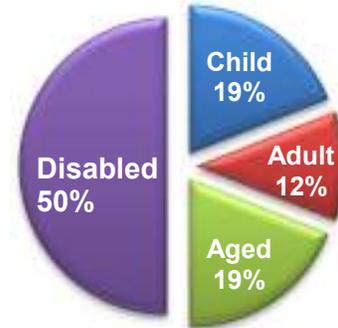
- Iowa was one of the first states to implement a Health Home program, which will provide payments to providers to coordinate health care for members with chronic disease.
- Health Home savings are projected to be between \$7 million and \$15 million in state dollars over a three-year period.
- The HIPP program produced a net savings to the Medical program of \$6.98 million (state and federal) in SFY12.
- The Preferred Drug List (PDL) saved the state over \$60 million in SFY12.

- ✓ *Iowa ranked 6th best in the U.S. for Long Term Care System performance in a recent study by AARP, the Commonwealth Fund and SCAN Foundation.*
- ✓ *The Iowa Plan provided over 1,100 joint individual conferences where parents and the member were involved in determining the treatment plan as a part of the Intensive Care Management program in order to reduce inpatient hospitalizations.*
- ✓ *Medicaid collected over \$231 million in revenue through cost avoidance and recovery when other insurance is present in SFY12.*
- ✓ *Medicaid achieved savings and cost avoidance of \$28.9 million (state and federal) through the identification of overpayments, coding errors, and fraud and abuse in SFY12.*

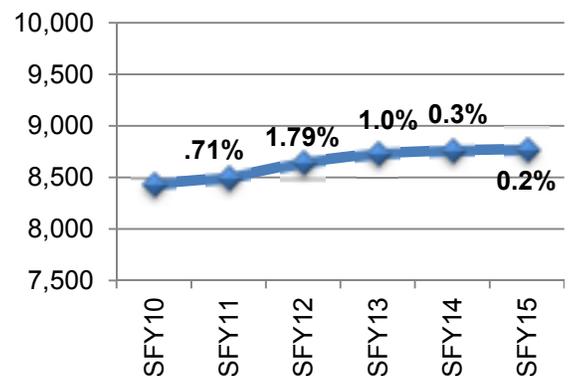
Cost of Services

- **The recent trend in growth of cost per member has been very low. Per member costs are projected to increase by 1.0 percent in SFY13, 0.3 percent in SFY14, and 0.2 percent in SFY15.**
- **Costs vary widely.** Fifty-seven percent of Medicaid members are children but they account for only 19 percent of costs. Conversely, 19 percent of members are people with disabilities, but they account for half of Iowa's Medicaid expenses.
- The average annual cost for Medicaid services provided to a member is \$8,736 in SFY13 (all funds). Medicaid has a large number of healthy children with a low cost of \$2,614, and a small number of very costly elderly and disabled persons with an average cost of \$21,715.
- Members with chronic disease also drive a significant share of Medicaid costs. Five percent of members account for 48 percent of acute care costs.
 - A key IME initiative is to reduce health care costs through implementation of health homes for members with chronic disease.
- Many of these high cost members are also 'dual eligibles' (members who are eligible for both Medicare and Medicaid). More than half of dual eligibles are adults with a serious mental illness. Iowa's 70,000 dual eligibles cost more than \$1 billion. Iowa has submitted a proposal to CMS to receive a share of Medicare savings if Iowa engages duals in the health home and other health management programs that result in savings.
- Long-term care costs account for more than half of Medicaid spending. Many individuals could be served in less expensive home and community based settings. IME recently attained an approved Balancing Incentive Program plan expected to provide \$17.8 million in federal incentives to be used toward equalizing expenditures between facility-based and home and community based care.

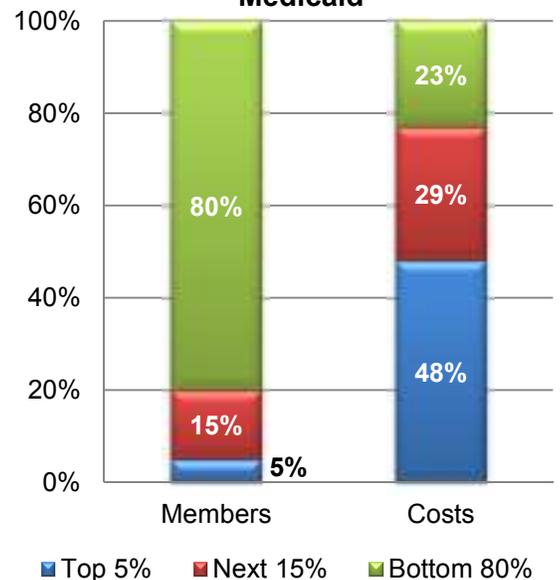
SFY12 Iowa Medicaid Expenditures



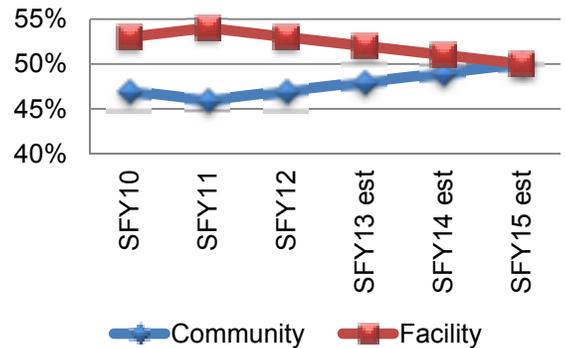
Change in Medicaid Cost Per Member



Chronic Disease Care Within Medicaid



LTC Percentage of Expenditures by Setting



- ✓ *The top five percent high cost/high risk Medicaid members have an average of 4.2 chronic conditions, receive care from five different physicians, and receive prescriptions from 5.6 prescribers. They account for 90 percent of all hospital readmissions within 30 days, 75 percent of total inpatient hospital costs, and 50 percent of prescription drug costs.*
- ✓ *The annual Medicaid member cost was \$8,736 in SFY13, whereas the average annual family premium paid jointly in Iowa by both the employer and employee was \$13,295 (2011 Iowa Employer Benefits Study, Copyright 2010 David P. Lind & Associates, LC.).*
- ✓ *Medicaid payments to hospitals total over \$700 million per year.*
- ✓ *More than half of Medicaid expenditures are for long term care costs, such as nursing facilities, home and community based supports, and services for persons with disabilities.*

Funding Sources

Medicaid is funded by state general funds, other state funds, and federal matching funds through the Federal Medical Assistance Percentage (FMAP).

The total budget for SFY14 is \$3.87 billion:

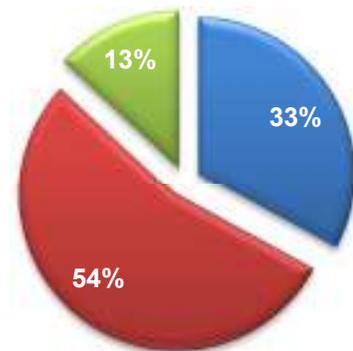
- \$1.27 billion (32.9 percent) is state general fund.
- \$2.09 billion (54.0 percent) is federal funding.
- \$507.66 million (13.1 percent) is other state funding including drug rebates and other recoveries, the Health Care Trust Fund (tobacco tax), nursing facility and hospital assessment fee revenue, and the CHIPRA performance bonus payments.

The total budget for SFY15 is \$3.98 billion:

- \$1.37 billion (34.4 percent) is state general fund.
- \$2.1 billion (52.7 percent) is federal funding.

SFY14 Funding

■ State General Fund ■ Federal ■ Other Funding



- \$513.44 million (12.9 percent) is other state funding including drug rebates and other recoveries, Health Care Trust Fund (tobacco tax), nursing facility and hospital assessment fee revenue, and the CHIPRA performance bonus payments.

The FMAP rate (federal share) has decreased with the expiration of ARRA. Iowa's FMAP rate has also declined as Iowa's economy improves relative to other states.

The federal share has declined as follows:

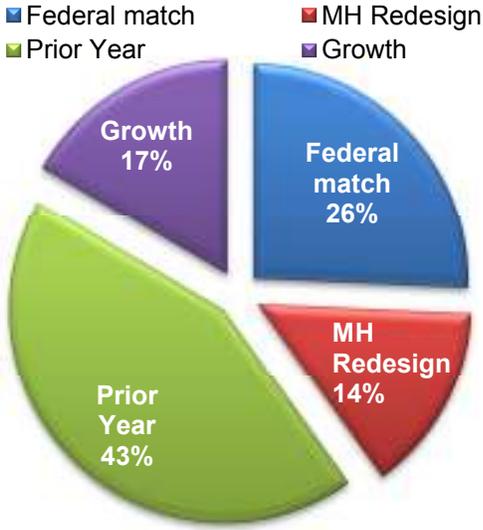
- SFY10 – 72.09 percent
- SFY11 – 70.64 percent
- SFY12 – 61.19 percent
- SFY13 – 59.87 percent
- SFY14 – 58.80 percent
- SFY15 – 57.80 percent

**SFY14
SFY15
Budget
Drivers**

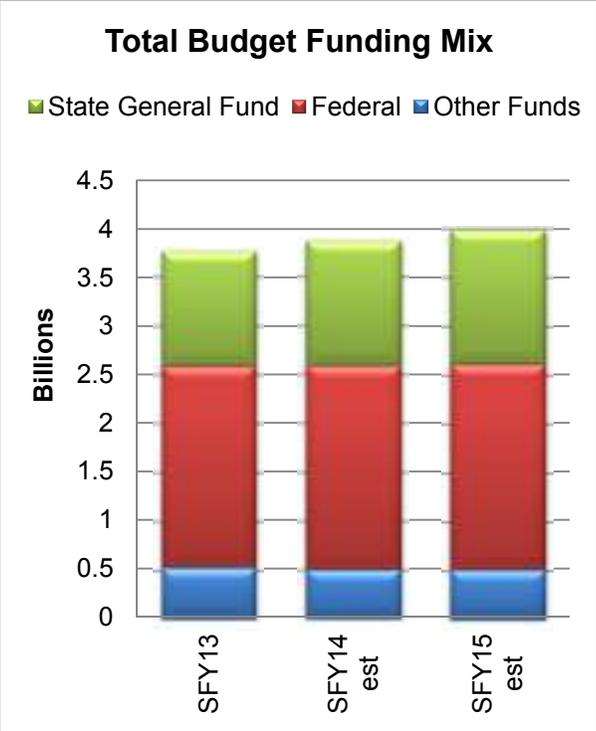
The total SFY14 budget reflects a \$137,739,009 (12.1 percent) general fund increase from SFY13. The SFY15 budget reflects a \$95,061,564 (7.5 percent) general fund increase over SFY14.

- The key budget drivers of the increases are:
- Declining FMAP rate (\$34.8 million in SFY14).
 - SFY13 funding shortfall (\$51.6 million).
 - Replacement of one-time funds appropriated in SFY13 as transfers in (\$14.6 million including Iowa Veteran's Home, Risk Pool Fund and Property Tax Relief Supplemental transfers)
 - Replacement of Health Care Transformation Account (HCTA) funds depleted after SFY13 appropriation (\$5.7 million).
 - **Routine growth in enrollment and costs (\$22.6 million).**
 - Growth in mental health and disability services, resulting in growth of the non-federal share (state share) paid by counties prior to MHDS Redesign (\$17 million).
 - Mandated changes under the Affordable Care Act will decrease Medicaid expenditures by \$0.1 million in SFY14 over SFY13, and then increase expenditures by an additional \$9.5 million in SFY15 over SFY14. This does not include impacts from the optional expansion of Medicaid to adults.

SFY14 Medicaid Increase by Budget Driver



- \$750,000 in SFY14, and \$4.3 million in SFY15 due to the mandated increase in primary care physician reimbursement rates to Medicare levels. This increase takes effect January 1, 2013, and is primarily funded with 100 percent federal funds in SFY14, but the enhanced federal match expires in SFY15.
- A savings of \$1.0 million in SFY14 and \$1.1 million in SFY15 due to the Balancing Incentive Program.
- A decrease of \$8.9 million for a transfer to the IowaCare program is reflected in this budget request. An offset of the same amount is reflected in the IowaCare budget request.
- This budget does not assume funding for nursing facility rebase.



- ✓ Overall, Medicaid growth due to enrollment and cost increases is only 1.6 percent in SFY14. More than \$115 million of projected expenditure increases are due to changes in funding changes or new requirements.
- ✓ Medicaid growth due to mental health redesign activities is 2.1 percent (\$29.7 million) in SFY14 due to transition of State Resource Center (previously county-funded), and SFY13 redesign activities.
- ✓ FMAP decreases resulting in a revenue decrease of \$70 million (\$35 million each year) in SFY14 and SFY15.

Legal Basis

- Federal:**
- Title XIX of the Social Security Act authorizes and stipulates the requirements for the Medicaid program
 - Code of Federal Regulations: 42 CFR 440, specifically 42 CFR 440.210 and 42 CFR 440.220
- State:**
- Multiple Chapters of the Iowa Code further define the services and eligibility categories the Iowa Medicaid Program is required to cover.
- This offer maintains statutorily required services and populations.